positioned for growth

the churchill corporation | annual report 2001

corporate profile

The Churchill Corporation provides commercial building construction, industrial mechanical construction, insulation, maintenance and related services through our subsidiaries Stuart Olson Construction, Triton Projects, Fuller Austin Insulation and Northern Industrial Insulation. We have a record of successfully completing projects and developing long-term client relationships.

Churchill is based in Edmonton, Alberta and active throughout Western Canada, northwestern Ontario and the Northwest Territories. Our shares trade on The Toronto Stock Exchange under the symbol CUQ.

Churchill's mission is to maximize client value in the construction and industrial service delivery process by working closely with our clients to profitably deliver services that exceed their expectations. Churchill's strategic vision is to build a highly profitable and diversified construction and industrial services organization.

Solid financial performance and operational achievements during 2001 enabled us to progress toward our strategic goals. Our proven management, established reputation in the active markets of Western Canada, consistent profitability and solid balance sheet position us for continued growth in shareholder value.

contents

Front Cover:

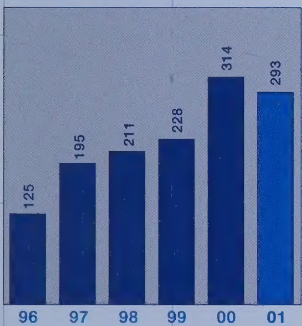
A Len Draganiuk, Triton Projects, page 13.

B Seamus McDonnell, Stuart Olson, page 21.

C Jim Grohs, Fuller Austin, page 17.

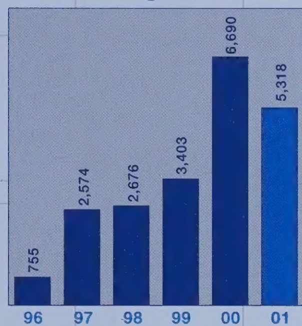
financial highlights

revenue ($ millions)



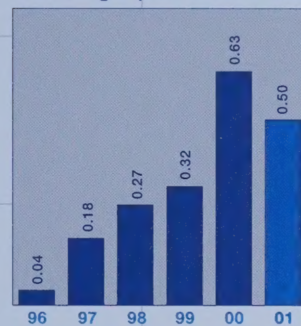
Revenue growth of 19% per year since 1996

net earnings ($ thousands)



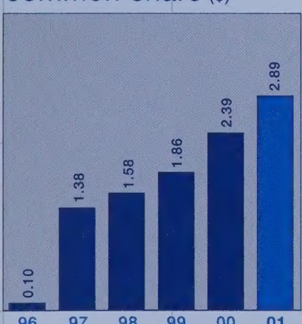
Net earnings growth of 48% per year since 1996

earnings per share (basic) ($)



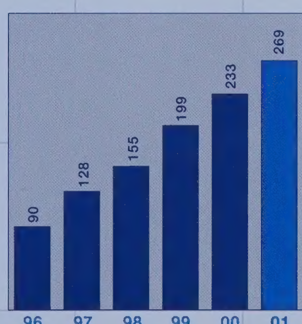
Earnings per share growth of 66% per year since 1996

book value per common share ($)



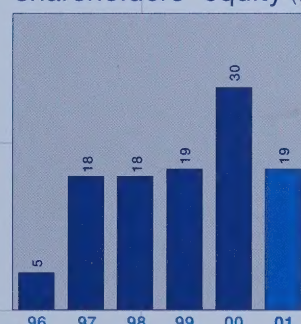
Book value per share increased 21% in 2001 – annual growth of 96% since 1996

work in hand ($ millions)



Year-end work in hand has grown at a 24% annual rate since 1996 to a record $269 million

return on average shareholders' equity (%)



A top-quartile return on shareholders' equity was sustained for the fifth consecutive year

cumulative return on $100 investment

Churchill delivered a 38-fold (3,875%) return to our shareholders during the five-year period to December 31, 2001, an average annual return of 108%.

Report on Business magazine reported that Churchill delivered the twelfth highest return to shareholders of the entire Toronto Stock Exchange 1000 during the five-year period to December 31, 2000.

churchill at a glance

industrial construction and maintenance — **commercial construction**

triton projects

business
- Heavy-industrial general contracting, fabrication and maintenance
- 2001 revenue of $56 million (19% of Churchill revenue)

market focus
- Resource and industrial sectors: oil and gas, petrochemicals, power, mining, forest products

market position
- Experienced in natural gas and power, sectors favoured by current economics and deregulation
- Long established, with strong client and subcontractor relationships
- Strong position in the heavy oil sector
- Solid resource sector outlook

fuller austin & northern industrial

business
- Thermal insulation, fireproofing, fire stopping, siding, asbestos abatement and plant maintenance
- 2001 revenue of $31 million (11% of Churchill revenue)

market focus
- Resource and industrial sectors: oil and gas, petrochemicals, forest products, pipelines, utilities, mining

market position
- Provide a wider range of complementary services than competitors
- Long established, with strong client relationships
- Acquisition of Lakehead Insulation in active northwestern Ontario market
- Client trend to outsource construction and maintenance services
- Client focus on thermal efficiency
- Solid resource sector outlook

stuart olson

business
- Building construction: construction management, design-build and general contracting
- 2001 revenue of $206 million (70% of Churchill revenue)

market focus
- Private and public sectors
- Commercial, light industrial and institutional markets
- Particular expertise in healthcare, high technology, hotels, retail, food processing and distribution, recreation, education facilities

market position
- Industry leaders in construction management and design-build
- Long established, with strong client and subcontractor relationships
- Extended geographic market with new branches in Lethbridge, AB and Victoria, BC and major projects in Inuvik, NWT and Portage la Prairie, MB
- Experience and financial strength to do larger projects
- Well positioned in growing Alberta market

2001 **goal achievements**

goals		achievements
> **Sustain strong financial performance**	yes	**Net earnings of $5.3 million on revenue of $293 million**
> **Maintain top-quartile return on shareholders' equity**	yes	**Return on shareholders' equity of 19%**
> Sustain **revenue** in excess of **$300 million**	no	Revenue of **$293 million**
> Build work in hand to **support continued growth** in 2002	yes	Record year-end **work in hand of $269 million**
> **Grow Industrial** Division	yes	**Triton revenue increased 37%**
	no	Fuller Austin and Northern Industrial revenue decreased 54%
	yes	**Acquired Lakehead Insulation**
> **Reinvest** in organizational capacity **to sustain growth**	yes	**Key personnel** recruited
	yes	Information **technology upgraded**
	yes	**Human resources training and development**
> Increase **management depth**	yes	**Key senior management** positions filled
> Achieve a **safety record** better than industry peers	yes	**Superior safety** record
> **Build profile** with investment community	yes	**Launched web-site**
	yes	**Four analysts** now follow Churchill
> **Deliver a top-quartile return to our shareholders**	yes	**Shares appreciated 59%, outperforming the TSE 300 Index by 72%**

Report to Shareholders

TransCanada PipeLines/ATCO Noise Management, Geraldton, ON

Georgian Tower – Broughton, Vancouver, BC

PanCanadian Energy, Strathmore, AB

Churchill sustained solid financial performance and made important strategic progress in 2001

Churchill is in a strong position to continue our long-term growth in revenue, profits and shareholder value

Highlights of the year include:

- Revenue was $293 million, compared with $314 million in 2000
- Earnings before interest, taxes, depreciation and amortization were $11.0 million, compared with $13.7 million in 2000
- Net earnings were $5.3 million, compared with $6.7 million in 2000
- Earnings per share were $0.50, compared with $0.63 in 2000
- Book value per share increased 21% to $2.89 from $2.39
- Return on shareholders' equity was 19%, in the top quartile of Canadian public companies for the fifth consecutive year
- Work in hand increased to a year-end record $269 million, up $36 million from $233 million at the end of 2000
- Shares appreciated 59%, outperforming the TSE 300 Index by 72%

We are pleased with this performance although, as expected, it did not match our record performance of 2000. As planned, we invested in longer-term growth by enhancing our business processes, recruiting key people and building organizational depth. Full-time salaried personnel increased 28% during the year. We also broadened our service offering and entered new geographic markets. These investments in our organizational capacity will yield future returns.

We experienced collection problems on two projects and set up a $2,994,000 bad debt allowance. This is a disappointing element to an otherwise strong year. We established a $913,000 allowance on an amount receivable on an industrial project. This amount

receivable is secured by a builder's lien and there remains a reasonable prospect for some recovery. In February 2002, Stuart Olson suspended work on its contract to build the JTB Canadian Pork plant pending completion of financing arrangements to finish the project. A significant amount of equity has been invested in the JTB project by strategic foreign investors, local hog producers and other local investors. Stuart Olson has a priority security position against the project. We are encouraged by continued discussions among the JTB shareholders and the active interest being expressed by sources of potential financing. It is difficult to predict the outcome of these financing discussions or to estimate recovery on our amount receivable. Based on these uncertainties and our conservative policies, we established a $2,060,000 bad debt allowance, based on valuing our security at our estimate of the recovery value of the project in its incomplete state. We are actively working with JTB and remain hopeful it will raise the financing required to complete the project, enabling us to make a full recovery.

This bad debt allowance was partially offset by gains of $2,290,000 on settlement of legal claims and resolution of various collection and contractual issues realized in 2001. These items occasionally arise in the normal course of our business. A $248,000 gain on sale of surplus real estate was also realized during the year.

Stuart Olson and Triton continued their strong performance in 2001. However, our industrial insulation business experienced a soft and highly competitive market for larger projects in Alberta. While still profitable, our insulation business fell short of its record performance of 2000. Some recovery has occurred in our insulation business, with increased work procurement activity in recent months. Details are outlined in the Operations section of this Annual Report.

We have the market position, financial strength, people and strategy to sustain our long-term growth

Alberta is a good place to do business

- Our operations are centered in Alberta, where the economy continues to outperform the rest of Canada. **Alberta is expected to remain one of the best commercial and industrial markets in North America for the next several years**.
- Our work in hand was a year-end record $269 million on December 31, 2001.
- Our operations are positioned as superior service providers in our target markets.
- We are in a **strong financial position**, with shareholders' equity of $31 million, working capital of $23 million and no net debt.
- **We have the right people**, including a number of key additions made in 2001.
- We are **aggressively pursuing opportunities for continued growth** in our industry.

Market Environment

The September 11 terrorist attacks in the United States had far-reaching consequences. While there is no doubt a slowdown has occurred in the global economy, **Alberta's economy remains strong**. We believe Alberta is better positioned than most to weather the impact of the global slowdown because of its diversified economy and the massive ongoing investment in the oilsands. A positive long-term impact on Alberta is likely as the United States adopts a policy of North American energy self-sufficiency.

A recent Alberta Economic Development inventory of major projects outlines **$82 billion of Alberta projects under way or planned during the next two years**, up 32% from the prior year. Oil, gas and oilsands projects represent 65% of this massive investment, while public infrastructure and power generation are also large components. These are all sectors in which we have a good track record and many long-term clients. The ongoing investment in the oilsands is supported by the low cost of recovering energy from this resource. These long-term investments are therefore less sensitive to short-term energy pricing and, as a result, **provide resilience to our Alberta markets**.

Alberta's more favorable tax structure attracts significant private sector investment. This has stimulated population growth and related demand for public sector investment in education, healthcare and recreation facilities.

Alberta led Canada in economic growth in 2001, with Gross Domestic Product (GDP) increasing by 3.1%. Alberta is expected to remain one of the strongest provinces again in 2002, with GDP growth of close to 3%, higher than the expected growth rate for Canada and most other G-8 countries.

In summary, we believe Alberta will continue to be one of the strongest markets in North America for the next several years. We are also experiencing an increase in private sector confidence and an improved labor environment in British Columbia following the change in government in 2001. In addition, we anticipate increased interest in public-private partnerships to support infrastructure investment in British Columbia.

Growth Strategy – Sustainability, Balance, Diversity

Our strategic goal is sustainable growth

Our goal is to build a $500 million construction and industrial services company by 2004. Our strategy for growth includes internal initiatives plus targeted acquisitions and alliances. We intend to increase operating margins through more rapid growth of our higher-margin Industrial Division and through Stuart Olson's focus on innovative methods of project delivery.

Key elements of our strategy include:

- providing exceptional value and quality to our clients by consistently delivering high levels of service, cost effectiveness and innovation
- emphasizing alternative methods of delivering commercial building construction to provide superior value to our clients and to enhance our competitive position

- increasing the diversity of industries, clients and geographic markets we serve and the services we provide to take advantage of market opportunities
- pursuing markets with higher operating margins and lower capital requirements to maintain flexibility and sustain high returns on invested capital
- maintaining a balance between commercial construction and industrial service activities by pursuing acquisitions primarily in the industrial market. This diversifies our exposure to the different economic cycles and risk profiles of these two segments.
- expanding our base of recurring revenue from industrial maintenance and services to enhance the sustainability and predictability of our business. Maintenance services also build client relationships to support our participation in construction projects.
- utilizing our strong financial base to invest in targeted acquisitions and other growth initiatives while maintaining a balanced capital structure with long-term debt of less than 60% of shareholders' equity
- developing and motivating our employees
- communicating effectively with the investment community

Syncrude, Fort McMurray, AB

AEC Pipelines, Clandonald, AB

Commonwealth Stadium, Edmonton, AB

Acquisition Criteria

Resource-sector capital spending will double the industrial infrastructure of Alberta during the next few years. This will generate significant growth in demand for maintenance and industrial services. We are pursuing industrial acquisitions to increase our participation in these markets.

Our acquisition criteria include:

- Strong and compatible operating management
- Complementary customer base and long-term client relationships
- Geographic and industry diversity
- Multi-service offering
- Synergy with our current operations
- Attractive in terms of risk and reward

We are now seeing quality companies for acquisition at more reasonable valuations than in the past. **It is a good time to have Churchill's financial resources to invest.**

Alberta Hospital Ponoka, Ponoka, AB

Implementation of Growth Strategy

We made significant progress in implementing our growth strategy in 2001:

- **Stuart Olson was active on five of the largest projects in its 62-year history**. Proven capability to execute larger projects, combined with our financial strength, enable us to pursue larger opportunities. Larger projects have longer duration, thereby enhancing the predictability and sustainability of revenue and earnings.

- **Stuart Olson opened new offices in Lethbridge, Alberta and Victoria, British Columbia**. Our increased presence will enhance our ability to serve clients in these growing and diversified markets. Stuart Olson has completed over $100 million of projects in the Lethbridge region during the last three years, primarily in the education, healthcare and food processing sectors. Vancouver Island is an attractive market that is a logical extension of our business in the lower mainland of British Columbia.

- **Stuart Olson continues to forge alliances** with other construction companies having complementary experience and resources to undertake challenging projects. Stuart Olson is building the $37 million Health and Social Services Centre in Inuvik for the Government of the Northwest Territories in alliance with a northern contractor and local First Nations organizations. Stuart Olson is also building a $36 million potato-processing plant in Portage la Prairie, Manitoba for Simplot in alliance with another contractor. These alliances enable us to meet client requirements while also extending our geographic market.

- **Fuller Austin acquired Lakehead Insulation of Thunder Bay, Ontario**, effective January 1, 2002. Lakehead provides industrial insulation, asbestos abatement and maintenance services throughout northwestern Ontario, primarily to the packaging and pulp and paper industries. Lakehead is a successful and profitable company. It has been in business for 50 years and has developed strong client relationships. A significant portion of Lakehead revenue is generated on a recurring basis through the provision of maintenance services. Lakehead's former owners remain with the business to support effective integration and client transition. This acquisition extends Fuller Austin's geographic market and enables us to deliver a wider range of services to clients in this active regional market.

- **Triton Projects completed a $22 million mechanical construction project for Williams Energy on time and on budget**. This complex project included the erection of a 100-meter, 600-tonne fractionation tower, the tallest in Western Canada. Triton's demonstrated ability to execute large complex projects positions us to participate more actively in this market.

Marriott Residence Inn – Trickle Creek, Kimberley, BC

People Build Value

Key additions and changes to our management team position us for continued growth:

We have the right people to sustain our success

- **A. Rae Campbell, P.Eng**. joined Triton Projects as President with the mandate to lead Triton's ongoing growth and development. Rae is an engineering, contracting and petroleum industry executive with extensive experience in the oil and gas, power, chemicals and forest products industries. His prior experience includes serving as Vice President of Bechtel Canada, President of Bantrel, Vice President of Petro-Canada and Senior Vice-President of Lavalin.

- **Ron Martineau** was promoted to President of Insulation Holdings, the parent company of Fuller Austin and Northern Industrial. Ron has over 30 years experience in the industrial insulation industry and has been with Northern Industrial since 1984.

- **James M. Saretsky, B.Comm, MBA, CMA** joined us as Vice President and Controller of Churchill and Vice President Finance of each of our operating companies. James is responsible for financial accounting, management information systems and risk management. He has a strong background in operating companies.

- **Mark S. Brosseau, B.Sc., P.Eng**. joined Churchill as Director of Information Technology, responsible for the strategic integration of information technology with business operations. In addition to his B.Sc. in Electrical Engineering, Diploma in Instrumentation Engineering and operating experience as an industrial electrician, Mark has led information technology departments in both development and production environments.

- **Paul Polson, FRAIC, MAAA** joined Stuart Olson as Vice President Project Development, playing a lead role in strategic planning and marketing initiatives. Paul has a proven background in architecture and alternative methods of project delivery through senior positions with a major western Canadian architectural firm.

Our capacity to grow and provide superior service to our clients depends on **our ability to attract, develop and motivate highly-skilled personnel**. We are placing increased emphasis on human resource development and incentive programs to reinforce the competitive advantage resulting from our experienced and committed people.

Churchill encourages employee ownership through an employee share purchase plan and stock options. Over 78% of eligible employees participate in our share purchase plan. All senior management of Churchill companies own shares or options to acquire shares. Employees and directors hold a 34% fully diluted ownership position. This significant and growing employee ownership reinforces a strong common interest in building value for the benefit of all shareholders.

Our proactive safety and environmental programs are essential to the success of our operations and the welfare of our employees. **Our good safety record continued in 2001 as we carried out 1,700,000 hours of work with only four lost-time accidents**. This is significantly better than the safety performance of our industry peers. We are working hard to maintain our superior safety and environmental record.

Objectives for 2002

We have the following objectives for 2002:

We continue to build on our strong position

- Sustain strong financial performance, including top-quartile return on shareholders' equity
- Achieve revenue in excess of $325 million
- Invest in organizational capacity to sustain growth
- Accelerate growth of our Industrial Division
- Extend our range of services, clients and geographic regions
- Build work in hand to support continued growth in 2003
- Maintain a safety record better than our industry peers
- Deliver a top-quartile rate of appreciation in the price of our shares

Positive Outlook

The outlook for 2002 and beyond is positive in Western Canada where oil and gas development remains active. Investment in conventional oil and gas exploration and development is sensitive to fluctuations in energy prices. Although lower than in early 2001, energy prices are still supporting an above-average level of drilling and development activity. Investment in the oilsands is less affected by short-term energy price volatility and continues unabated, with at least $6 billion planned for 2002 and $45 billion expected over the next five years. This capital spending has a major impact on the Alberta economy. Natural gas production is also forecast to increase as demand increases and prices strengthen.

In addition to oil and gas, other sectors of the Alberta economy are expected to continue to grow. Investment in manufacturing and petrochemical facilities has slowed, but the longer-term outlook remains positive. Alberta continues to be one of the best markets in North America for commercial and industrial construction and maintenance.

Churchill ended 2001 with record year-end work in hand of $269 million, up $36 million from $233 million at the end of 2000. Our operating units are actively pursuing additional work, with $118 million of new contracts awarded in 2002 through March 15. We recognize the global climate is volatile and continue to closely monitor our business and market environment. Nevertheless, we anticipate our **revenue will grow to more than $325 million in 2002 and that we will remain significantly profitable.**

Churchill is in an excellent position to continue to prosper. We have the financial capacity and market opportunity to sustain our success. We are also fortunate to have a strong team of qualified and dedicated employees. It is their efforts that enable your Corporation to progress.

Our appreciation for the continued support of our employees, clients and shareholders cannot be overstated. We remain committed to building shareholder value by growing a highly profitable business through the delivery of outstanding service and value to our clients. **We look forward to building a bright future**.

March 15, 2002

Stanton K. Hooper
Chairman

H.R. (Hank) Reid
President and Chief Executive Officer

triton projects

Triton Projects provides heavy-industrial general contracting, fabrication and maintenance services to clients primarily in the oil and gas, petrochemical, power, mining and forest products sectors

Williams Energy, Redwater, AB

PanCanadian Petroleum, Weyburn, SK

PanCanadian Energy, Strathmore, AB

our **business**

Triton Projects provides heavy-industrial general contracting, fabrication and maintenance services to resource and industrial clients throughout Western Canada. We serve clients primarily in the oil and gas, petrochemical, power generation, mining and forest products sectors.

We provide our clients with a full range of services including:

- plant-site preparation
- installation of pilings and foundations
- fabrication and erection of structural steel and piping
- equipment setting and assembly
- fabrication and installation of process equipment modules
- small diameter pipeline construction
- building erection, electrical, instrumentation, painting and insulation
- industrial maintenance (on-stream, shutdowns and turnarounds)
- estimating, planning and cost control services

Triton has significant project experience in new construction, dismantling and relocation of existing facilities, and well-site abandonment and restoration.

our **market position**

Triton is based in Nisku, Alberta with offices in Bonnyville and Calgary. The acquisition of H&H in 2000 provided Triton with additional experienced people, client relationships, equipment and fabrication capabilities. H&H was successfully integrated into Triton, retaining key management and clients. Triton employs 47 full-time salaried staff plus more than 400 people in field operations. Triton has been in business for more than 40 years, building long-term relationships with clients and subcontractors and developing an experienced and capable management team. We have built a **superior reputation for reliability, safety, quality and efficiency by consistently delivering projects on time and on budget**.

Triton was profitable and achieved record revenue of $56 million in 2001, up 37% from 2000. We continue to experience strong demand for our services, particularly from the oil and gas, petrochemical and power sectors, which should support continued growth in 2002. Our successful completion of a $22 million mechanical construction project for Williams Energy demonstrates our expertise in large complex projects. Based on our experience in the oil and gas sector, **Triton is well positioned to participate in the exciting opportunities emerging in northeastern British Columbia and the Northwest Territories**.

Len Draganiuk
Vice President, Special Projects
Triton Projects

Len led Triton's team in successfully completing our $22 million project at the Williams Energy natural gas liquids processing facility. Len has 27 years experience in the heavy-industrial general contracting industry and has been with Triton since 1988. He has proven experience in project management, scheduling and control. **Len is leading Triton's Special Projects initiative to build large complex projects**.

project activity

AEC Pipelines, Clandonald, AB

Williams Energy, Redwater, AB

Williams Energy, Redwater, AB

Noteworthy projects:

- Successful on-time and on-budget completion of a **$22 million** mechanical construction project for **Williams Energy** near Redwater, Alberta
- Completion of a **$7 million** mechanical contract to construct a power generation plant for **PanCanadian Energy** near Strathmore, Alberta
- Completion of a **$4 million** project to relocate a natural gas compressor station from Swan Hills to Meikle River, Alberta for **TransCanada PipeLines**
- A **$4 million** mechanical construction contract on a natural gas compressor station near Alces, Alberta for **TransCanada PipeLines**
- Contracts totalling $4 million for mechanical fabrication and construction of pump stations near La Corey and Clandonald, Alberta for the **AEC Pipelines** Cold Lake Pipeline expansion
- Contracts totalling **$4 million** to construct heavy oil production facilities in eastern Alberta for **Canadian Natural Resources**
- A **$3 million** contract to relocate a natural gas compressor station from Cavendish to Saddle Hills, Alberta for **TransCanada PipeLines**

We also increased our base of recurring revenue through the provision of maintenance and plant shutdown services to Canadian Natural Resources, Williams Energy and ARC Resources during the year.

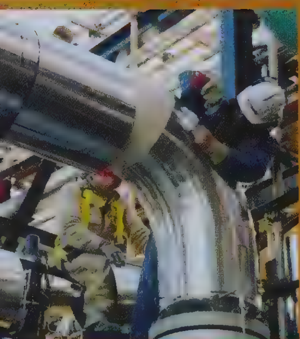
Triton Projects Management

1 Christine Jackson, CA, Controller
2 Gary Ashworth, Vice President
3 A. Rae Campbell, B.Eng., M.Inst.Pet., P.Eng., President
4 Don Nehajowich, Vice President
5 Len Draganiuk, Vice President
6 Jim Hartrick, Executive Vice President
7 Gordon Ehrenlechner, Vice President

AEC Pipelines, Clandonald, AB

fuller austin & northern industrial

Fuller Austin and **Northern Industrial** provide insulation, siding, fireproofing, asbestos abatement and plant maintenance services to clients primarily in the oil and gas, petrochemical, power and forest products sectors



NOVA,
Harmattan, AB

PanCanadian Energy,
Strathmore, AB

Scotford Heavy Oil Upgrader,
Fort Saskatchewan, AB

our **business**

Fuller Austin and Northern Industrial serve clients primarily in the oil and gas, petrochemical, utilities, pulp and paper, power and mining sectors. We are among the **largest industrial insulation businesses in Western Canada**. Fuller Austin serves the building-trades market while Northern Industrial serves the open-shop market. These independent operations provide us the flexibility to participate in all sectors of the market.

We provide an integrated range of complementary services, including thermal insulation, siding, fireproofing, sheet metal contracting, asbestos abatement and plant maintenance. Thermal insulation is installed in industrial facilities to control heat loss from process piping and equipment. **We provide a broader range of services than our competitors, enabling us to deliver a single-source solution to our clients**. We are pursuing opportunities to provide additional services and to expand our markets.

our **market position**

We provide a high level of service throughout Western Canada from offices in Edmonton, Calgary, Fort McMurray, Bonnyville and Regina. The recent acquisition of Lakehead Insulation in Thunder Bay extends Fuller Austin's geographic market and enables us to provide our wider range of services to clients in the active northwestern Ontario region. Lakehead provides industrial insulation, asbestos abatement and maintenance services primarily to the pulp and paper and packaging industries. A significant portion of Lakehead revenue is generated on a recurring basis through maintenance services. Fuller Austin's project experience and financial strength will enable Lakehead to be more active in serving the construction requirements of its clients.

Fuller Austin, Northern Industrial and Lakehead Insulation employ 36 full-time salaried staff with field crews of 300 to 1,200 people. Fuller Austin has been in business for more than 40 years, Northern Industrial for 15 years and Lakehead for 50 years. **Each company has built long-term client relationships and an excellent reputation for reliability, safety and efficiency**.

Our insulation business is benefiting from the client trend to outsource maintenance and construction services. Industrial clients are increasingly concerned with thermal efficiency and willing to invest in the quality solutions and service we provide.

Northern Industrial had another growth year but Fuller Austin experienced a slow and highly competitive market for large projects in Alberta. While still profitable, our insulation business fell short of the record performance achieved in 2000. We are **repositioning our business to generate more revenue on a recurring basis** from maintenance services and smaller construction projects. Fuller Austin has experienced increased work procurement activity in recent months. The market outlook for our insulation business remains generally positive. **Demand for our services remains strong**, in particular from the oil and gas, petrochemical, oilsands, pipeline and power sectors.

Jim Grohs
Superintendent & Estimator
Fuller Austin Insulation

Jim is a Superintendent on our $5 million siding project at the Scotford heavy oil upgrader. He is a journeyman sheet metal worker with additional training in safety, computers and supervision. Jim has 21 years of experience, including 10 years with Fuller Austin. He has provided industrial insulation, siding, fire stopping, asbestos abatement and maintenance services to clients in the oil and gas, petrochemical, forest products, utilities and mining industries. **Through dedicated employees like Jim, we provide a broad range of complementary services – a single-source solution to our clients.**

project activity

Noteworthy multi-service projects:

- A **$5 million** contract to install siding at the **Scotford heavy oil upgrader** near Fort Saskatchewan, Alberta
- A **$2 million** contract to insulate pipe and modules and to install siding at the **Suncor Millenium Project** near Fort McMurray, Alberta
- A **$1.5 million** insulation and siding contract at the **Williams Energy** plant near Redwater, Alberta
- A **$1 million** contract to insulate equipment and to install siding at the **Weyerhaeuser** oriented strand board plant near Hudson Bay, Saskatchewan
- A **$1 million** contract to remove asbestos and to install siding at the **Agrium** fertilizer plant near Redwater

Noteworthy insulation projects:

- A **$3 million** insulation contract at the **Midstream Joint Venture** oilsands project near Fort McMurray
- A **$2.4 million** insulation contract on heavy oil production facilities near Primrose, Alberta for **Canadian Natural Resources**
- A **$1.5 million** insulation contract at the **Petro-Canada** heavy oil project near Fort Mackay, Alberta
- A **$1.5 million** insulation contract at a power generation plant near Strathmore, Alberta for **PanCanadian Energy**

We also expanded our base of recurring revenue through maintenance services. An additional maintenance contract was obtained with NOVA Chemicals. Multi-year insulation maintenance services contracts were renewed with the Imperial Oil Strathcona Refinery in Edmonton and the SaskPower Boundary Dam and Shand power stations near Estevan, Saskatchewan. Maintenance services were also provided to Inco, Tolko, Simplot, Westaim, Sherritt International, Agrium and Alberta Envirofuels.

Fuller Austin and Northern Industrial Management

1 Renita Jackson, Controller, Insulation Holdings
2 Sheldon Dobish, CET, Senior Vice President, Northern Industrial
3 Perry Pugh, A.Sc.T., Vice President, Fuller Austin
4 Ron Martineau, President, Insulation Holdings
5 Bill Cram, Vice President, Fuller Austin
Absent: Eric Elston, Vice President, Fuller Austin

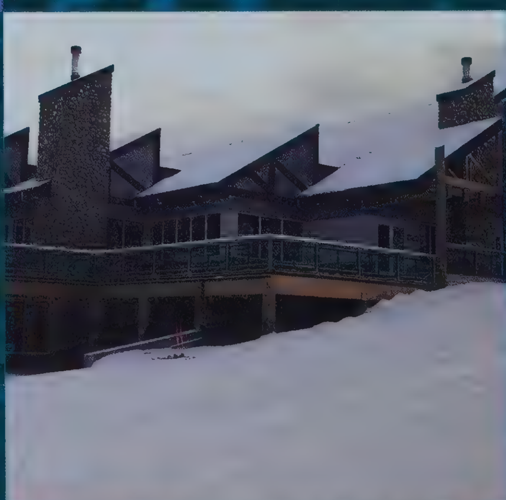
PanCanadian Energy
Strathmore, AB


Alberta Environment, Edmonton, AB

stuart olson

Stuart Olson provides general contracting, construction management and design-build services to the institutional, commercial and light industrial market sectors. Stuart Olson has been in business for 62 years and is one of the largest commercial construction contractors in Western Canada

Health and Social Services Centre, Inuvik, NWT



Snow Valley Ski Lodge, Edmonton, AB

Residences at St. Andrew's-Wesley Church, Vancouver, BC

our **business**

Stuart Olson has been in business for 62 years and is one of the largest commercial construction contractors in Western Canada. Stuart Olson provides general contracting, construction management and design-build services to clients in the institutional, commercial and light industrial market sectors. Projects generally entail the construction, expansion or renovation of a building.

design-build and construction management **build value**

Stuart Olson is a leader in alternative methods of project delivery, including design-build and construction management, which complement our general contracting capabilities. These methods entail working with clients and a design team early in the planning phase of a project to value-engineer the design and plan the construction process. These methods deliver superior value to clients by providing a single source of responsibility and increased certainty of project completion on budget and on schedule. Alternative methods of project delivery can also lower risk, improve margins and help build long-term client relationships. Stuart Olson has completed many private and public sector projects under these alternative methods, which now generate more than 60% of Stuart Olson revenue.

large projects **enhance sustainability**

Stuart Olson has successfully expanded our share of the large projects market during the last three years by leveraging its large project experience and Churchill's financial strength. Large projects have a longer duration, which enhances the predictability and sustainability of our revenue and earnings.

During the last year, Stuart Olson has been active on five of the largest projects in our 62-year history:

- An **$80 million** contract to redevelop **Alberta Hospital Ponoka**
- A **$55 million** contract to renovate and expand the **Southern Alberta Institute of Technology** main campus in Calgary
- A **$48 million** contract to redevelop and expand the **Coquitlam Centre Mall** in British Columbia
- A **$41 million** contract to expand and renovate the **Red Deer Regional Hospital Centre**
- A **$37 million** contract to construct the **Health and Social Services Centre in Inuvik**, Northwest Territories, in alliance with another contractor

Seamus McDonnell, *PQS*
Alberta Manager
Project Development
Stuart Olson Construction

Seamus manages our pre-construction services. This entails working closely with clients to value-engineer projects and to plan efficient methods of construction. Seamus has been with Stuart Olson for 16 years, leading estimating and project development. He is a Professional Quantity Surveyor, with education in construction from Dundalk Regional Technical College and Northern Ireland Polytechnic. He has additional training in estimating, project management and general management. **Experienced people like Seamus enable us to deliver superior value to our clients.**

our **market position**

Stuart Olson achieved record profit on revenue of $206 million in 2001. We were very active in southern Alberta, expanded our operations and market presence in northern Alberta and increased market share in British Columbia. Each of our major branches in Calgary, Edmonton and Vancouver was profitable. We also opened new branches in Lethbridge, Alberta and Victoria, British Columbia during the year. Our geographic market was further extended through major projects in Inuvik, Northwest Territories and Portage la Prairie, Manitoba.

Stuart Olson has built a strong reputation and positive relationships with clients, subcontractors and employees. **We have a history of consistently exceeding client expectations for service, quality and value**. The company employs **131 full-time salaried staff** and **150 to 300 construction workers**. We are placing increased emphasis on training and development programs to enhance the abilities of our people.

Most of our revenue is generated with repeat clients or through select invitational tenders, reflecting the effectiveness of our target marketing and client development. Less than 20% of revenue is now generated from fixed-price bids. Stuart Olson subcontracts up to 90% of project work, which reduces risk and the amount of capital required to operate and to grow the business. **Our record level of work in hand positions us to sustain our profitable growth in 2002**.

Georgian Tower – Broughton,
Vancouver, BC

project activity

Stuart Olson's track record in serving a diversified range of clients provides depth and stability to our market opportunity.

high technology

The growing high technology sector provides Stuart Olson with significant opportunity, with the following contracts awarded during the year:

- An **$8 million** building in the **Willingdon Park high technology office park** in Burnaby, British Columbia. We have completed four projects in this office park with an aggregate value of $52 million during the last four years, including a $23 million office building and underground parkade completed in 2001.
- A **$14 million** biotechnology laboratory building for **Discovery Parks** at the University of British Columbia in Vancouver
- An **$8 million** wet laboratory building for the biotechnology industry for **Discovery Parks** in Vancouver
- A **$6 million** laboratory and office facility for **Angiotech Pharmaceuticals** in Vancouver

healthcare

The healthcare and seniors care requirements of our population are generating significant demand for our expertise in these sectors:

- We progressed on an **$80 million** contract to redevelop **Alberta Hospital Ponoka** for the Alberta Mental Health Board. This three-year project entails the design and construction of a 245-bed rehabilitation, assessment and treatment facility. This project also includes construction of materials management and support facilities, renovation of existing structures, site servicing and development.
- A **$41 million** contract was obtained to expand and renovate the **Red Deer Regional Hospital Centre**.
- A **$37 million** contract was obtained to design and construct the **Health and Social Services Centre** in Inuvik for the Government of the Northwest Territories in alliance with a northern contractor and local First Nations organizations. Stuart Olson's role has a value of **$18.5 million**.
- A **$6 million** contract was obtained to expand the cyclotron imaging and medical treatment centre for the **Cross Cancer Institute** in Edmonton.
- A **$7.5 million** contract was obtained to construct the **Louis Brier Home and Hospital for Seniors** in Vancouver.

recreation

We are a leader in the construction of a wide range of recreational facilities. Our construction management expertise is particularly valuable in this sector because each recreational facility has unique design and delivery requirements.

We were active on several major recreation projects:

- The **$27 million Collicutt Leisure Centre** in Red Deer was successfully completed.
- A **$21 million** contract to renovate and expand **Edmonton's Commonwealth Stadium** and rebuild the adjoining **Clarke Stadium** was completed for Edmonton 2001 – 8th IAAF World Championships in Athletics.
- A **$12 million** contract was obtained to design and construct a **leisure pool facility** for the City of Chilliwack in British Columbia.
- A **$9 million** contract was obtained to expand and renovate the **East Lake Aquatic Centre** in Airdrie, Alberta.
- A **$7 million** contract was obtained to construct an **ice rink and recreation facility** in Horse Lake, Alberta.

education

We were active on several education facilities:

- A **$55 million** contract to expand and renovate the main campus of the **Southern Alberta Institute of Technology** in Calgary was successfully completed.
- A **$7 million** contract to construct the **Life Sciences Building** at the University of Lethbridge was successfully completed.
- Contracts were obtained to build **five schools** in Alberta with an aggregate value of **$46 million**.
- A **$9 million** contract was obtained to expand the **Lethbridge Community College**.

retail

- We completed a **$45 million** contract to expand and renovate the **Coquitlam Centre Mall** in Coquitlam, British Columbia. This project included the conversion of a former Eatons store, the renovation of public areas and the construction of a 300,000 square foot expansion anchored by a new Zellers store.
- An **$8 million** contract was obtained to renovate the **Capilano Mall** in North Vancouver.

hotels

Stuart Olson continues to be a leader in serving the hospitality industry with fifteen hotels constructed in the last seven years.

- A **$14 million** contract was obtained to renovate and refurbish the **Hyatt Regency** in Vancouver.

residential

We have completed several large condominium projects over the years.

- Contracts were obtained to construct **two high-rise condominium projects** in Vancouver with an aggregate value of **$33 million**.
- An **$8 million** contract was obtained to construct a **special needs residence for the Salvation Army** in Vancouver.

food processing

We were active on a wide range of light industrial food processing projects with the following contracts awarded during the year:

- An **$18 million JTB Canadian Pork plant** in Barrhead, Alberta.
- A **$36 million potato-processing plant** in Portage la Prairie, Manitoba for Simplot in alliance with another contractor. Stuart Olson's role has a value of **$18 million**.
- **$6 million** of site work for expansion of a **Sobey's** food distribution warehouse in Edmonton.

Stuart Olson Management

1 Ian Kermack, M.Sc., P.Eng., Vice President
2 Don Goedbloed, ing, Senior Vice President
3 Al Stowkowy, B.Sc., P.Eng., Senior Vice President
4 Gary Bardell, M.Sc., MBA, P.Eng., President
5 Paul Polson, FRAIC, MAAA, Vice President

Southern Alberta Institute of Technology, Calgary, AB

financial report

Willingdon Park, Burnaby, BC

management's **discussion and analysis**

The following discussion and analysis of the operating performance and financial position of Churchill should be read in conjunction with the Consolidated Financial Statements and related notes on pages 36 to 47 and the Report to Shareholders on pages 4 to 11 of this Annual Report.

key operating results

The following table sets forth certain historic operating results and financial information referred to in this management's discussion and analysis:

Years ended December 31

($ thousands, except for percentages and per share amounts)	2001	2000	Change 2001 over 2000
Contract Revenue	$ 293,462	$ 314,078	(7%)
Contract Income	30,123	27,802	8%
Contract Income (%)	10.3%	8.9%	–
Earnings from Construction Operations	8,696	11,860	(27%)
Earnings from Construction Operations (%)	3.0%	3.8%	–
Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")	10,965	13,697	(20%)
EBITDA (%)	3.7%	4.4%	–
Net Earnings Before Income Taxes	9,005	12,045	(25%)
Net Earnings	5,318	6,690	(21%)
Earnings per Share (Basic)	0.50	0.63	(21%)
Earnings per Share (Fully Diluted)	0.47	0.60	(22%)
Working Capital	22,504	18,542	21%
Working Capital Ratio	1.31	1.28	2%
Shareholders' Equity	30,584	25,342	21%
Book Value per Common Share	2.89	2.39	21%
Work in Hand	269,101	233,246	15%
Return on Average Shareholders' Equity	19%	30%	–
Capital Expenditures	1,706	2,743	(38%)
Acquisition	nil	3,170	–
Purchase of Minority Interest	1,308	nil	–

Churchill achieved another solid year in 2001 with revenue and earnings close to the record levels achieved in 2000 and significant strengthening of our financial position.

The business activity of Churchill consists primarily of the operations of Triton Projects, Fuller Austin Insulation, Northern Industrial Insulation and Stuart Olson Construction, as described in the Operations section of this Annual Report.

results of operations

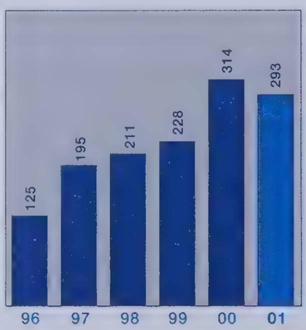
construction operations

Contract Revenue

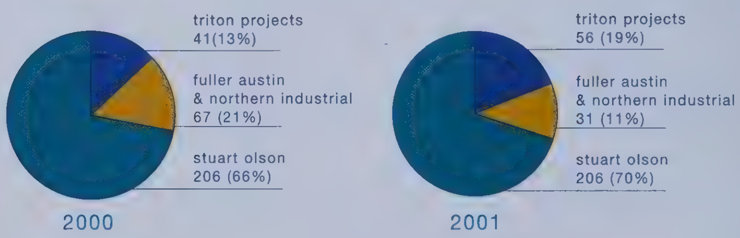
Construction contract revenue decreased by $21 million, or 7%, to $293 million in 2001 compared to $314 million in 2000. Triton Projects achieved revenue of $56 million in 2001, up $15 million, or 37%, over 2000 revenue of $41 million. The $22 million Williams Energy project completed in late 2001 contributed to Triton growth. Fuller Austin Insulation and Northern Industrial Insulation achieved combined revenue of $31 million, down $36 million, or 54%, from record revenue of $67 million in 2000. Stuart Olson revenue was $206 million, the same as in 2000. Triton and Stuart Olson performed well in a generally strong market. Fuller Austin experienced a soft and highly competitive market for large projects in Alberta in 2001 and did not have any large projects to replace one that generated almost half of 2000 revenue.

Triton Projects and Stuart Olson contributed a larger portion of consolidated revenue in 2001 while Fuller Austin and Northern Industrial represented a smaller portion. Our Industrial Division generated 30% of consolidated revenue in 2001, down from 34% in 2000. The softness in our industrial insulation business interrupted the trend of our industrial activity contributing an increasing portion of consolidated revenue we had sustained since 1998. We have a strategic goal of our industrial construction and maintenance business contributing 40% of consolidated revenue by 2004.

revenue ($ millions)



revenue mix ($ millions)



Contract Income

Contract income increased by $2,321,000, or 8%, in 2001 over 2000. Contract income increased to 10.3% of contract revenue from 8.9%. Gains of $2,290,000 on resolution of various collection and contractual issues contributed to this increase. These items occasionally arise in the normal course of our business. Contractual terms, project size and our performance impact margins on specific projects. Larger projects and lower risk projects normally yield lower margins.

Fuller Austin and Northern Industrial generally achieve contract income of 14% to 20% of revenue while Triton Projects achieves 10% to 16% and Stuart Olson achieves 4.5% to 6.5%. Variation in the composition of contract revenue may therefore impact consolidated contract income percentage margin. These differing margins primarily reflect the inherent nature of the markets and competitive environments in which we do business. In general, higher margins reflect greater capital intensity, a larger portion of work performed directly rather than being subcontracted and higher exposure to labour productivity and other project risks. We believe our operations achieve contract income and net margins as good as, or better than, most of their competitors.

Indirect and Administrative Expenses

Indirect and administrative expenses increased by 21%, or $3,100,000, over 2000 levels, while also increasing to 6.2% of revenue from 4.8%. This increase in expenses includes:

- $2,200,000 investment in additional people, training and development, in order to add capacity for growth. Full-time salaried personnel increased 28% during the year.
- $250,000 investment in Churchill management capacity in financial control, risk management and information technology to support and manage growth
- $988,000 increase in information systems and business process enhancement costs

Approximately 10% of this increase is related to unusual and non-recurring items, while the balance reflects an increase in ongoing costs of doing business at anticipated higher revenue levels in 2002 and beyond. Churchill continues to plan and monitor indirect and administrative expenses to ensure value is received and our organizational capacity is consistent with market trends and opportunities.

Bad Debt Allowance

A bad debt allowance of $2,994,000 was established in 2001, compared with $45,000 in 2000. We experienced collection problems on an industrial project and therefore set up a $913,000 allowance on the related account receivable. In February 2002, Stuart Olson suspended work on its $18 million contract to build the JTB Canadian Pork plant pending completion of financing arrangements to complete the project. Stuart Olson has a priority security position against the project. It is difficult to predict the outcome of financing efforts or to estimate recovery on our amount receivable. Based on these uncertainties, we provided an allowance of $2,060,000 in 2001, valuing our security at our estimate of the recovery value of the JTB project in its incomplete state.

Minority Interest

Triton purchased the interest of two minority shareholders during the year based on tangible net book value, thereby increasing Churchill's ownership position to 100% from 88.9%. Having 100% ownership enhances our ability to manage and finance continued growth of Triton. This purchase reduced earnings allocated to minority shareholders to $68,000 in 2001, compared to $701,000 in 2000, and also eliminated the minority interest liability from our balance sheet during the year.

earnings from construction operations

Earnings from construction operations were $8,696,000, a 27% decrease from 2000, primarily as a result of increased indirect and administrative expenses, increased bad debt allowance and lower revenue, partially compensated by higher contract income margin and reduced allocation of earnings to the Triton minority shareholders. All our operations were profitable again in 2001, although earnings from our insulation business declined along with revenue.

non-construction operations

Non-construction operations consist of Churchill's 41% ownership of Lafrentz Road Services, an Edmonton-based road markings company, together with surplus properties for sale. Lafrentz continues to achieve solid performance. Our Lafrentz interest has a net book value of $1,347,000. Earnings from non-construction operations increased, primarily due to a $248,000 gain on sale of surplus real estate.

unusual and non-recurring items

Our 2000 results included certain unusual and non-recurring expenses, including $400,000 in severance costs related to Fuller Austin moving its administrative office from Calgary to its operational base in Edmonton and the relocation of its Edmonton office to more appropriate leased premises.

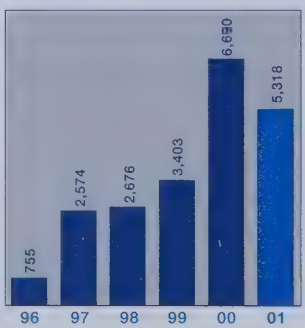
interest expense

Interest expense increased to $253,000 in 2001 from $150,000 in 2000. This increase reflects Churchill having no interest-bearing debt during the first ten months of 2000. We allocate interest expense to non-construction operations based on net assets employed in these operations.

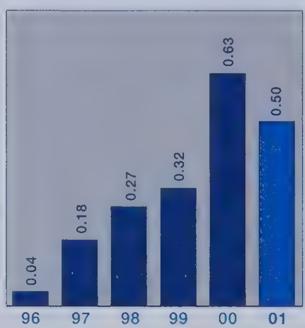
income taxes

The provisions for income taxes in 2001 and 2000 approximate the statutory tax rates of 42.1% and 44.6%, respectively. Due to equity earnings from Lafrentz not being taxable and savings from reduction in tax rates for future income taxes, partially offset by non-deductible expenses, our 2001 effective tax rate was slightly lower at 40.9%. Of the income tax expense of $3,687,000, we will recover current taxes of $978,000 while $4,665,000 is future income tax expense which does not entail a current outlay of cash.

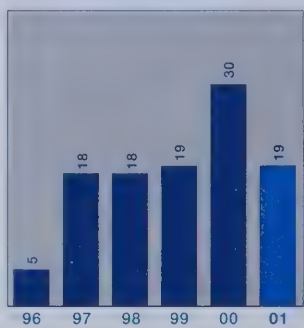
net earnings ($ thousands)



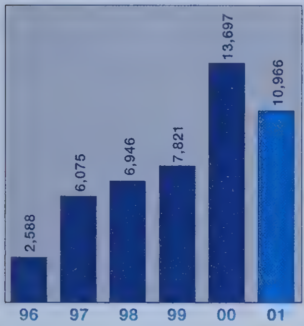
earnings per share (basic) ($)



return on average shareholders' equity (%)



earnings before interest, taxes, depreciation and amortization ("EBITDA") ($ thousands)



net earnings

Net earnings decreased by 21% to $5,318,000 in 2001, compared to $6,690,000 in 2000. Earnings per common share decreased by 21% to $0.50 in 2001 from $0.63 in 2000 (basic) and by 22% to $0.47 in 2001 from $0.60 in 2000 (fully diluted). Return on average shareholders' equity was 19% in 2001, compared to 30% in 2000. These high rates of return on shareholders' equity were achieved without the benefit of financial leverage as Churchill continues to have no net debt.

cash flow

Cash flow provided by operating activities, prior to changes in working capital, increased 14% to $11,300,000 in 2001. This was principally due to the large increase in future income tax expense, offsetting reduced earnings. Depreciation expense increased 14% to $1,708,000, primarily due to the acquisition of H&H and new premises constructed for Triton Projects in 2000.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") decreased 20% to $10,966,000 in 2001 from $13,697,000 in 2000. EBITDA decreased to 3.7% of revenue in 2001 from 4.4% in 2000.

Capital expenditures of $1,706,000 included:

- $700,000 of computer equipment and software
- leasehold improvements, furniture and fixtures related to a new Stuart Olson branch in Lethbridge and office expansion in Calgary
- construction and office equipment and vehicles acquired in the ordinary course of our business

We realized net proceeds of $159,000 from disposal of property and equipment, properties for sale and proceeds from an agreement receivable.

financing activities

In order to replenish working capital invested in the acquisition of H&H and the construction of new premises in 2000, Triton accessed term loans of $1,000,000 in November 2000 and $790,000 in March 2001, of which an aggregate of $1,376,000 was outstanding at December 31, 2001.

The Bank of Nova Scotia has approved $7 million of operating lines of credit and a $2 million stand-by term loan. Our consolidated banking relationship with the Bank of Nova Scotia, combined with full ownership of Triton Projects, enhance our ability to manage cash.

Under Normal Course Issuer Bids, Churchill repurchased for cancellation 45,800 common shares at an average cost of $2.05 per share during 2001, representing an aggregate investment of $94,000.

Options to purchase 14,000 shares were exercised during the year at an exercise price of $1.29 for proceeds of $18,000.

subsequent event

In January 2002, Fuller Austin Insulation acquired Lakehead Insulation of Thunder Bay, Ontario. This acquisition is not recorded in the 2001 financial statements.

balance sheet and liquidity

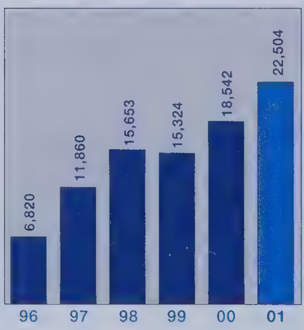
Churchill's financial condition was further strengthened during 2001 through the retention of net earnings of $5,318,000 and $159,000 of proceeds from disposal of properties for sale, other property and equipment, and an agreement receivable. Shareholders' equity increased 21% to $30,584,000 during the year. Book value per share increased 21% to $2.89 from $2.39 during 2001.

Working capital increased by $3,962,000 to $22,504,000. We have more than adequate working capital to support our current and projected levels of activity. The ratio of current assets to current liabilities was 1.31 to 1 on December 31, 2001, up from 1.28 to 1 on December 31, 2000. Management estimates a current ratio of 1.1 to 1 is required to support appropriate banking and bonding arrangements and to manage the affairs of our business in an orderly manner. Based on the December 31, 2001 balance sheet, this implies a capacity to invest up to $15 million of excess working capital in tangible assets and/or acquisitions to implement our strategy for growth, prior to utilizing external sources of financing.

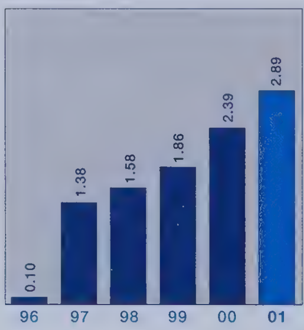
Cash and term deposits, net of bank operating line of credit utilization, decreased significantly to $17,581,000 from $27,505,000 during 2001. Cash and term deposits at December 31, 2001 include $7,014,000 (2000: $8,090,000) restricted to the payment of direct costs related to specific construction projects. During the year, accounts receivable increased by 19% while accounts payable increased by 1% and contract advances and unearned income decreased by 12%. These changes in current asset and liability amounts do not reflect material or sustained changes in collection or payment patterns. Our accounts receivable balance has decreased significantly since year-end while our cash balance has increased to the level maintained throughout most of 2001.

Cash flow from operations is again expected to be substantial in 2002. We anticipate this operating cash flow, together with our cash and term deposits and approved credit facilities, will be sufficient to finance working capital and capital spending requirements for the next year. We plan to finance continued growth, including potential acquisitions, primarily through new credit facilities and by accessing equity capital markets.

working capital ($ thousands)



book value per common share ($)



risks and uncertainties

economic environment

The strength of the economy and related level of capital spending impact the market for our services. A weak economy leads to lower spending, which reduces demand for our services and increases competitive pressure, which may erode margins. We manage this risk through diversification: our operations provide a wide range of construction and maintenance services to a diverse base of commercial, industrial and institutional clients throughout Western Canada. This diversity reduces exposure to potential weakness in a specific sector.

Our plan to increase our base of recurring revenue from industrial maintenance and services will reduce exposure to capital spending cycles and enhance sustainability of revenue and cash flow. Our operations are generally positioned in low fixed-cost, high revenue-to-assets segments of the industry. This enables us to respond to changing market conditions, as we have demonstrated in the past. Churchill had record year-end work in hand of $269 million at December 31, 2001 to cushion the effect of an economic slow-down. The long-term impact of the economic cycle in our primary market areas cannot be determined.

contract factors

A portion of revenue is generated from fixed-price contracts on which estimating risks, inefficiencies in project execution and other factors may impact profitability. We have management information systems, controls and procedures in place to support the expertise of our experienced personnel in preparing estimates, monitoring productivity and documenting the status of projects. Stuart Olson manages project exposure by dealing with known subcontractors and by obtaining performance bonds, where appropriate. The large number of projects we complete in a year reduces exposure to any single project, as most projects represent less than 10% of annual revenue. Some of our work is obtained through competitive bidding; therefore there is no assurance we will be successful on any specific opportunity.

More than 60% of Stuart Olson revenue is now generated on a construction management or design-build basis, under which Stuart Olson works closely with a client at the early stages of a project to design a more cost-efficient structure. This close relationship provides the client with a single point of accountability and superior value while enabling us to mitigate the risk of fixed-price work and to reduce bonding requirements.

Negotiations with clients with respect to additional payments owing as a result of delays or changes in contract specifications may positively or negatively impact income and liquidity, and such impact may be material. These claims occasionally arise in the ordinary course of business and are recorded at the lesser of net realizable value or costs incurred. The results of these claims should not have any material adverse effect on our financial position; however, such results cannot be determined with certainty.

Our normal practice is to complete a thorough risk assessment prior to accepting a project, including an analysis of the client's financial capability. Nevertheless, collection issues occasionally arise, as occurred in 2001 with the $2,994,000 bad debt allowance. Despite this unusual experience, our overall collection history is good, with bad debts averaging 0.3% of revenue over the last five years.

outlook

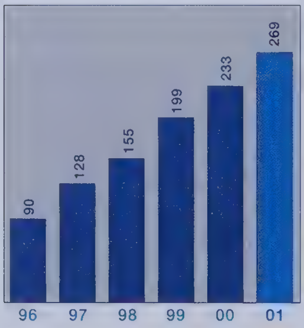
Work in hand is a leading indicator of revenue over a period of up to 18 months. Churchill had record year-end work in hand of $269 million on December 31, 2001, compared to $233 million last year. We anticipate over 80% of this $269 million will be completed in 2002. Work in hand levels are particularly strong in Stuart Olson and Triton Projects. We are also experiencing an increase in work procurement activity in our insulation business.

While the softening of oil and natural gas prices to levels more consistent with longer-term norms tempered capital investment in the heavy oil and conventional energy sectors, significant activity is still occurring. The massive long-term investment in the oilsands is continuing and is expected to provide a strong base of economic activity in Alberta for the next several years. We believe Alberta will remain one of the best markets for commercial and industrial construction and maintenance in North America. Population growth, lower tax rates and a strong fiscal position contribute to a generally positive outlook for private and public sector investment in Alberta. The change in government in British Columbia has resulted in increased private sector confidence.

Our strategy is to maintain a balance between our commercial building and industrial activities, while growing through a combination of internal initiatives and acquisitions. Acquisitions are targeted primarily in the higher-margin industrial market, with a focus on growing our base of recurring revenue from maintenance activities. As our Industrial Division grows more rapidly to represent a larger portion of revenue, overall contract income percentage margin should continue to increase. The acquisition and successful integration of H&H made a positive contribution to earnings in 2000 and 2001 and is expected to continue to do so in the future. The recent acquisition of Lakehead Insulation and the new Stuart Olson branches in Victoria and Lethbridge should also make positive contributions to earnings in 2002 and beyond.

Based on our high level of work in hand and continued market strength, we anticipate revenue will exceed $325 million in 2002 and we will remain significantly profitable.

work in hand ($ millions)



management's & auditors' **report**

management's report

The accompanying financial statements and all information in this Annual Report are the responsibility of management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgment. Financial information contained throughout this Annual Report is consistent with the financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

Deloitte & Touche LLP, an independent firm of Chartered Accountants, was appointed by a vote of shareholders at the Corporation's last annual meeting to examine and report on the consolidated financial statements of the Corporation in accordance with generally accepted auditing standards.

The Board of Directors has approved the information contained in the consolidated financial statements. The Board fulfills its responsibility in this regard mainly through its Audit Committee which has thoroughly reviewed the financial statements, including the notes thereto, with management and external auditors.

H. R. (Hank) Reid
President and CEO

Terrance B. Dunnigan, C.A.
Vice President Finance

to the shareholders of the churchill corporation

We have audited the consolidated balance sheets of The Churchill Corporation as at December 31, 2001 and 2000 and the consolidated statements of earnings, retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and 2000 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Edmonton, Alberta
March 5, 2002

consolidated **balance sheets**

As at December 31

($ thousands)	2001	2000
assets		
Current Assets		
Cash and Term Deposits (Note 3)	$ 21,056	$ 27,505
Accounts Receivable	67,849	56,914
Inventories and Prepaid Expenses	586	600
Properties for Sale (Note 4)	103	179
Income Taxes Recoverable	4,996	–
Future Income Tax Assets (Note 9)	–	745
Current Portion of Agreements Receivable (Note 5)	76	–
	94,666	85,943
Agreements Receivable (Note 5)	173	–
Equity Investment	1,347	1,204
Future Income Tax Assets (Note 9)	212	185
Property and Equipment (Note 6)	7,452	7,538
	$ 103,850	$ 94,870
liabilities		
Current Liabilities		
Bank Indebtedness (Note 7)	$ 3,475	$ –
Accounts Payable	49,898	49,503
Contract Advances and Unearned Income	14,377	16,402
Income Taxes Payable	–	1,022
Future Income Tax Liabilities (Note 9)	3,908	–
Current Portion of Long-Term Debt (Note 8)	504	474
	72,162	67,401
Long-Term Debt (Note 8)	1,020	774
Future Income Tax Liabilities (Note 9)	84	45
Minority Interest	–	1,308
	73,266	69,528
shareholders' equity		
Shareholders' Equity (Note 10)	30,584	25,342
	$ 103,850	$ 94,870

Approved by the Board:

Director

Director

consolidated **statements of earnings**

Years ended December 31 ($ thousands, except per share amounts)	2001	2000
construction operations		
Contract Revenue	$ 293,462	$ 314,078
Contract Costs	263,339	286,276
Contract Income	30,123	27,802
Interest Income	1,369	1,225
Sundry Income	197	90
Indirect and Administrative Expenses	(18,069)	(14,969)
Bad Debt Allowance	(2,994)	(45)
Depreciation	(1,708)	(1,502)
Interest Expense	(154)	(40)
Minority Interest	(68)	(701)
Earnings from Construction Operations	8,696	11,860
non-construction operations		
Earnings Before Interest (Note 12)	408	295
Interest Expense	(99)	(110)
Earnings from Non-Construction Operations	309	185
Earnings Before Income Taxes	9,005	12,045
Income Taxes (Note 9)		
Current	978	(3,513)
Future	(4,665)	(1,842)
	(3,687)	(5,355)
Net Earnings	$ 5,318	$ 6,690
Net Earnings Per Common Share (Note 11)		
Basic	$ 0.50	$ 0.63
Fully Diluted	$ 0.47	$ 0.60

consolidated **statements of retained earnings**

Years ended December 31 ($ thousands)	2001	2000
Retained Earnings, beginning of year	$ 19,403	$ 13,797
Net Earnings	5,318	6,690
Share redemption in excess of stated capital	(90)	(1,084)
Retained Earnings, end of year	$ 24,631	$ 19,403

consolidated **statements of cash flow**

Years ended December 31 ($ thousands)	2001	2000
operating activities		
Net earnings	$ 5,318	$ 6,690
Add (deduct) non-cash items		
Net equity earnings of affiliate	(143)	(134)
Depreciation	1,708	1,502
(Gain) loss on disposal of properties for sale	(248)	10
Future income taxes	4,665	1,842
	11,300	9,910
Change in minority interest	(1,308)	701
Net change in accounts receivable, inventories and prepaid expenses	(10,921)	(22,497)
Net change in accounts payable, contract advances and unearned income	(1,630)	16,251
Change in income taxes payable/recoverable	(6,018)	(134)
	(8,577)	4,231
investing activities		
Proceeds from agreements receivable	18	83
Proceeds on disposal of properties for sale	57	108
Proceeds on disposal of property and equipment	84	194
Additions to property and equipment	(1,706)	(5,913)
	(1,547)	(5,528)
financing activities		
Issuance of long-term debt	830	1,346
Repayment of long-term debt	(554)	(98)
Issuance of common shares	18	356
Redemption of common shares	(84)	(1,131)
	200	473
Decrease in cash	(9,924)	(824)
Net cash, beginning of year	27,505	28,329
Net cash, end of year	$ 17,581	$ 27,505
supplemental cash flow information		
Cash paid during the year for:		
Interest	$ 256	$ 44
Income taxes	$ 5,040	$ 3,647

significant accounting policies

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles, and reflect the following policies:

consolidation

The consolidated financial statements include the accounts of the following subsidiaries and limited partnership:

Stuart Olson Construction Ltd. (100%)

Insulation Holdings Inc. (100%)

Triton Construction Inc. (100%) (2000 – 88.9%)

Triton Projects Limited Partnership (100%) (2000 – 88.9%)

inventories

Inventories are recorded at the lower of cost and net realizable value.

properties for sale

Properties for sale are recorded at the lower of cost and net realizable value.

Property sales are recorded when the Corporation has fulfilled all material conditions and received an appropriate down payment.

equity investment

Equity investment represents an interest in an operating company where the Corporation has significant influence. This interest is accounted for on the equity basis with an impairment allowance for any decline in value not considered temporary.

property and equipment

Property and equipment are recorded at cost and depreciated using either the diminishing-balance or straight-line methods at the rates indicated in Note 6.

contract income

Revenue from construction contracts is recognized on the percentage of completion basis. Percentage of completion is determined by relating either the actual cost of work or the actual hours performed to date to the current estimated total cost or estimated total hours for each contract. Any projected loss is recognized immediately.

income taxes

The Corporation uses the asset and liability method of accounting for future income taxes. Under this method, the future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets including unused tax losses are recognized, subject to a valuation allowance, to the extent it is more likely than not such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized.

1 significant accounting policies (continued)

earnings per share

Fully diluted earnings per share is computed using the treasury stock method, whereby it is assumed that any proceeds obtained upon the exercise of outstanding options would be used to buy back Common Shares at the average market price during the period.

share-based compensation plan

The Corporation has a share-based compensation plan which is described in Note 10. No compensation expense is recognized for this plan when share options are issued. Any consideration paid by option holders for the purchase of shares is credited to share capital. If share options were to be repurchased from option holders, the consideration paid would be charged to earnings.

use of estimates

Financial statements prepared in accordance with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from these estimates.

statements of cash flow

The statements of cash flow have been prepared using the indirect method.

2 joint ventures

($ thousands)

The Corporation and its subsidiaries are partners in incorporated and unincorporated joint ventures and the consolidated financial statements include the proportionate share of assets, liabilities, revenue, expense, earnings and cash flow of these joint ventures as follows:

	2001	2000
Current and total assets	$ 3,475	$ 687
Current and total liabilities	2,492	152
Contract revenue	8,849	1,546
Contract costs and expenses	8,451	421
Net earnings before taxes	398	1,125
Cash flow provided by (used in) operating activities	1,154	(383)

3 cash and term deposits

($ thousands)

Cash and term deposits include $7,014 (2000 – $8,090) the use of which is restricted to the payment of direct costs related to specific construction projects.

properties for sale

($ thousands)

	2001	2000
Undeveloped land	$ 756	$ 1,093
Less cumulative valuation adjustments	(653)	(914)
	$ 103	$ 179

During the year, properties were sold for proceeds of $324 of which $57 was received in cash with the remaining $267 by way of Agreements Receivable.

agreements receivable

($ thousands)

	2001	2000
Mortgage receivable, interest at 7%	$ 230	$ –
Mortgage receivable, interest at 5%	19	–
Less current portion	(76)	–
	$ 173	$ –

property and equipment

($ thousands)

	2001			2000	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	Depreciation Rates
Land	$ 850	$ –	$ 850	$ 820	
Buildings and improvements	4,043	1,803	2,240	2,256	4% - 25%
Equipment and furnishings	12,489	8,127	4,362	4,462	6% - 50%
	$ 17,382	$ 9,930	$ 7,452	$ 7,538	

Depreciation expensed in the year was $1,708 (2000 – $1,502).

bank indebtedness

($ thousands)

Bank indebtedness consists of net bank overdrafts of $1,827 plus outstanding cheques of $1,648.

The Corporation and its subsidiaries maintain operating lines of credit totaling $7,000 (2000 – $7,000) which bear interest at Prime + 0.5%.

The Corporation also has available a term loan of $2,000 (2000 – $2,000) that has not been drawn upon which, if utilized, would bear interest at Prime + 1.25%.

Advances under these lines of credit are secured by general security agreements and pledge of specific assets.

long-term debt

($ thousands)

	2001	2000
Equipment loan	$ 639	$ 972
Property loan	737	–
Finance contracts	30	89
Capital leases	118	187
	1,524	1,248
Less current portion	(504)	(474)
	$ 1,020	$ 774

The equipment and property loans bear interest at Prime + 1% and are secured by a general security agreement over all assets of Triton Projects and pledge of specific assets. The equipment loan, payable in monthly installments of $28 plus interest, is due November, 2003. The property loan, payable in monthly installments of $7 plus interest, is due May, 2005.

Finance contracts, maturing in 2002 and 2003, bearing interest at rates from 2.9% to 5.5% with blended monthly payments of $4 (2000 - $5), are secured by equipment with a net book value of $98.

Capital leases, maturing from 2002 to 2005, bearing interest at rates from 8.4% to 10.6% with blended monthly payments of $12 (2000 - $9), are secured by equipment with a net book value of $127.

Interest cost on long-term debt during the year was $154 (2000 – $22).

Estimated principal payments in the next five years, assuming the property loan is renewed on similar terms, are:

2002	$ 504
2003	424
2004	92
2005	83
2006	79

income taxes

($ thousands)

The Corporation's tax expense differs from the provision computed at statutory rates as follows:

	2001	2000
Net earnings before income taxes	$ 9,005	$ 12,045
Equity earnings	(143)	(134)
Non-deductible expenses	712	359
Taxable Income	$ 9,574	$ 12,270
Income tax at statutory rate of 42.12% (2000 – 44.62%)	$ 4,033	$ 5,475
Large corporation and other taxes	15	15
Savings from reduction in tax rates for future income taxes and tax recovery	(381)	–
Other	–	(135)
Income Tax Expense	$ 3,687	$ 5,355

The components of the future income tax assets and liabilities are as follows:

	2001	2000
Future income tax assets:		
Contract advances and unearned income included in taxable income but not included in accounting income	$ –	$ 1,815
Accounting income not currently taxable	–	(1,070)
Book depreciation in excess of tax depreciation	150	170
Other	62	15
	212	930
Non-current portion	(212)	(185)
Current portion	$ –	$ 745
Future income tax liabilities:		
Holdbacks and accounts receivable that relate to unapproved billings deducted for income tax purposes but not deducted for accounting purposes	$ 1,548	$ –
Accounting income not currently taxable	2,360	–
Tax depreciation in excess of book depreciation	84	45
	3,992	45
Non-current portion	(84)	(45)
Current portion	$ 3,908	$ –

The consolidated group has accumulated capital losses for income tax purposes of $6,576 which may be carried forward indefinitely to reduce future capital gains. Of this amount, $250 has been utilized to offset capital gains on the equity investment calculated as the difference between book value and tax value. The value of the remaining capital losses has not been recognized in these financial statements.

10 shareholders' equity

($ thousands, except share and per share amounts)

	2001	2000
Share capital	$ 825	$ 811
Contributed surplus	5,128	5,128
Retained earnings	24,631	19,403
	$ 30,584	$ 25,342

share capital

Authorized

Unlimited Preferred Shares issuable in series with rights set by the directors

Unlimited Common Shares

Issued	2001		2000	
	Shares	Share Capital	Shares	Share Capital
Common Shares:				
Issued, beginning of year	10,598,774	$ 811	10,430,174	$ 502
Shares cancelled	(45,800)	(4)	(706,400)	(47)
Issued from treasury	14,000	18	875,000	356
Issued, end of year	10,566,974	$ 825	10,598,774	$ 811

10 shareholders' equity (continued)

contributed surplus

Contributed surplus of $5,128 arose in 1997 from the acquisition of Preferred Shares, with an issue price of $9,829, for $4,142 plus associated acquisition costs of $559.

share-based compensation plan

The Corporation maintains an Employees and Directors Share Option Plan under which options may be granted by the Board of Directors for up to 1,675,000 Common Shares of the Corporation. The exercise price of each option is the public market price on the date of grant. The Board of Directors sets the exercise period for each option granted, which may not exceed ten years, and the vesting terms, which may not exceed five years.

A summary of the Corporation's outstanding share options under the Plan at December 31, 2001 and 2000, indicating changes during the years ended on those dates, is presented below:

	2001		2000	
	Number of Share Options	Weighted Average Exercise Price	Number of Share Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,420,000	$ 1.33	927,000	$ 1.10
Granted	40,000	3.10	568,000	1.58
Cancelled	(15,000)	1.29	-	-
Exercised	(14,000)	1.29	(75,000)	0.48
Outstanding, end of year	1,431,000	$ 1.30	1,420,000	$ 1.33

The following table summarizes information about share options outstanding under the Plan at December 31, 2001:

Exercise Price	Expiry Date	Options Outstanding Dec. 31, 2001	Options Exercisable Dec. 31, 2001
$ 0.48	Aug. 13, 2002	75,000	75,000
0.91	Dec. 9, 2003	135,000	135,000
1.29	May 20, 2004	613,000	399,000
1.30	Feb. 7, 2005	100,000	33,333
1.64	Nov. 13, 2005	468,000	241,333
3.10	Aug. 9, 2006	40,000	-
		1,431,000	883,666

issuance of common shares

During the year 14,000 share options were exercised under the Plan at a price of $1.29 per share (2000 – 75,000 at $0.48). In 2000, 800,000 Common Shares were issued at $0.40 per share pursuant to options issued in 1997 to effect the acquisition of all outstanding Preferred Shares of the Corporation.

normal course issuer bids

During the year the Corporation purchased 45,800 (2000 – 706,400) Common Shares for cancellation at an average cost of $2.05 per share including commissions (2000 - $1.60) through Normal Course Issuer Bids. The amount by which the cost exceeds the stated value of the Common Shares has been charged to retained earnings.

On January 10, 2002, the Corporation initiated a new Normal Course Issuer Bid through The Toronto Stock Exchange under which up to 780,000 of its outstanding Common Shares may be purchased for cancellation. This new Bid will terminate on January 9, 2003.

shareholder rights plan

The Corporation instituted an Amended and Restated Shareholder Rights Plan (the "Plan") which attaches one Right, with an Exercise Price of $20.00, to each outstanding Common Share of the Corporation. The Rights expire on September 30, 2004 unless exchanged or redeemed on an earlier date. Such Rights can only be exercised on the occurrence of a triggering event, which is defined as a person (an "Acquiring Person") acquiring, or publicly announcing its intention to acquire, 20% or more of the Common Shares, other than by an acquisition pursuant to a takeover bid permitted by the Plan. Upon occurrence of a triggering event, as described above, each Right entitles the holder, other than an Acquiring Person, to purchase that number of Common Shares of the Corporation having an aggregate market price equal to twice the Exercise Price, for a cash amount equal to the Exercise Price. The Plan was effective December 13, 1999 when it was approved by the Board of Directors and it was subsequently confirmed by the shareholders at the Annual and Special Meeting held May 17, 2000.

11 net earnings per common share

($ thousands, except share and per share amounts)

Basic earnings per share is computed on the basis of the weighted average number of Common Shares outstanding. Fully diluted earnings per share is computed on the basis of the weighted average number of Common Shares outstanding plus the effect of outstanding stock options using the treasury stock method.

The components of basic and fully diluted earnings per share are as follows:

	2001	2000
Net earnings	$ 5,318	$ 6,690
Weighted average number of Common Shares outstanding	10,567,745	10,704,566
Dilutive effect of share options	655,831	456,775
	11,223,576	11,161,341
Net Earnings Per Common Share:		
Basic	$ 0.50	$ 0.63
Fully Diluted	$ 0.47	$ 0.60

12 non-construction earnings

($ thousands)

	2001	2000
Equity Investment		
Equity earnings	$ 143	$ 134
Management fees	–	148
Properties for Sale		
Property rentals – net	–	(3)
Gain (loss) on disposal	248	(10)
Interest income	17	5
Other	–	21
Earnings Before Interest	$ 408	$ 295

13 contingencies

(a) Subsidiaries of the Corporation are contingently liable for normal contractor obligations relating to performance and completion of construction contracts as well as obligations of associates in certain joint ventures.

(b) The Corporation and its subsidiaries are defendants in lawsuits involving various amounts. Management is of the opinion the results of these actions should not have any material effect on the financial position of the Corporation. Any awards or settlements will be reflected in the Statement of Earnings as the matters are resolved.

14 commitments

($ thousands)

The Corporation and its subsidiaries lease certain equipment, vehicles and office premises. Future minimum lease payments over the next five years are:

2002	$ 626
2003	570
2004	471
2005	263
2006	29

15 segmented information

($ thousands)

The Corporation operates in one reportable segment as a construction services provider in Canada. These services are provided to customers in the industrial and commercial markets and the portion of work directly performed varies depending on the characteristics of the project and work force availability. Each of the Corporation's subsidiaries provides construction services to these markets and discrete financial information at the customer level is not provided to management. The following table presents information regarding revenue from the customer groups noted above.

Revenue	2001	2000
Industrial	$ 102,830	$ 115,570
Commercial	190,632	198,508
	$ 293,462	$ 314,078

16 financial instruments

credit risk

The Corporation is exposed to credit risk through accounts receivable. This risk is minimized by the large number of customers in diverse industries and geographic centres. The Corporation performs an assessment of its potential customers as part of its work procurement process, including an evaluation of financial capacity. The Corporation maintains provisions for potential credit losses and losses over the last five years have averaged 0.3% of revenue.

interest rate risk

The Corporation is exposed to interest rate risk on bank indebtedness and floating rate loans as disclosed in Notes 7 and 8.

fair value of financial instruments

The fair value of the Corporation's financial assets and liabilities approximates carrying value.

17 subsequent events

($ thousands)

(a) On January 17, 2002, Fuller Austin Insulation Inc., a subsidiary of the Corporation, acquired the shares of Lakehead Insulation Inc., an insulation contractor based in Thunder Bay, Ontario, for $679 plus future consideration based on Lakehead earnings in the next three years.

(b) Subsequent to year-end, a subsidiary of the Corporation suspended work on a significant project pending completion of the owner's financing arrangements. The owner of the project is in active discussions with potential sources of additional financing but no firm commitment has been received to date. The Corporation's outstanding amount is secured by a Builder's Lien which is a first charge on the project. To be prudent, the Corporation has established a bad debt allowance of $2,060 based on the estimated recovery value of the project in its incomplete state.

six year **summary**

The following unaudited financial data has been derived from Churchill consolidated financial statements, which have been audited by Deloitte & Touche LLP, Chartered Accountants. The information set forth below should be read in conjunction with the Management's Discussion & Analysis and Consolidated Financial Statements and Notes sections of this Annual Report.

Years ended December 31 ($ thousands, except share and per share data and percentages)	2001	2000	1999	1998	1997	1996
income statement data						
Contract Revenue	$ 293,462	$ 314,078	$ 228,038	$ 210,680	$ 195,491	$ 125,429
Contract Income	30,123	27,802	18,924	16,684	15,622	10,579
Percent of Contract Revenue	10.3%	8.9%	8.3%	7.9%	8.0%	8.4%
Earnings from Construction Operations	8,696	11,860	6,450	4,810	4,907	635
Earnings Before Interest, Tax, Depreciation and Amortization	10,966	13,697	7,821	6,946	6,075	2,588
Interest Expense	253	150	307	859	642	609
Depreciation, Depletion and Goodwill Amortization Expense	1,708	1,502	681	712	659	552
Deferred Loan Cost Amortization Expense	–	–	426	144	50	–
Earnings Before Income Taxes	9,005	12,045	6,407	5,231	4,724	1,427
Net Earnings	5,318	6,690	3,403	2,676	2,574	755
balance sheet data						
Working Capital	$ 22,504	$ 18,542	$ 15,324	$ 15,653	$ 11,860	$ 6,820
Shareholders' Equity	30,584	25,342	19,427	16,241	13,469	15,270
Debt plus Preferred Shares, including Dividends in Arrears	4,999	1,248	–	4,181	7,643	20,740
Non-Construction Related Assets	1,699	1,383	1,450	2,162	3,829	5,769
per common share data						
Net Earnings per Share:						
Basic	$ 0.50	$ 0.63	$ 0.32	$ 0.27	$ 0.18	$ 0.04
Fully Diluted*	0.47	0.60	0.30	0.23	0.17	0.04
Book Value per Share	2.89	2.39	1.86	1.58	1.38	0.10
other data						
Return on Average Shareholders' Equity	19%	30%	19%	18%	18%	5%
Work in Hand	$ 269,101	$ 233,246	$ 198,818	$ 155,438	$ 128,013	$ 90,000
common share information						
Weighted Average Shares Outstanding	10,587,745	10,704,566	10,514,853	10,004,172	14,350,892	17,731,920
Shares Outstanding at Year End:						
Basic	10,566,974	10,598,774	10,430,174	10,267,074	9,731,074	17,731,920
Fully Diluted	11,997,974	12,018,774	12,157,174	11,777,074	11,711,074	20,484,997
Shares Traded**	3,300,782	4,484,550	3,411,844	3,070,619	3,138,531	285,122
Share Price:						
High	$ 3.49	$ 2.00	$ 1.75	$ 2.00	$ 0.90	$ 0.16
Low	1.86	1.25	0.80	0.72	0.08	0.05
Close	3.10	1.95	1.35	0.78	0.79	0.08

* Earnings per share (fully diluted) for 1999, 2000 and 2001 based on the Treasury Stock Method. Earnings per share (fully diluted) under the imputed earnings method would have been: 1999: $0.29; 2000: $0.56; 2001: $0.45. Earnings per share (fully diluted) for prior fiscal years calculated under the imputed earnings method.

** Churchill Common Shares were listed on The Alberta Stock Exchange/Canadian Venture Exchange (CDNX) through January 25, 2000 and were listed for trading on The TSE December 8, 1999. The share trading volume and price information set forth above consolidates CDNX and TSE market activity.

director profiles

The Board of Directors ensures appropriate policies and processes are in place for strategic planning, risk management, monitoring the performance of senior management, succession planning and ensuring the integrity of our accounting and information systems. Churchill's approach to corporate governance is outlined in our 2002 Management Information Circular.

Stanton K. Hooper, C.E.T. (Edmonton) A, B, C, *Chairman*

- President, Stanton Developments Ltd., a private Alberta-based real estate development and management company
- Former President, Carma Inc.
- Extensive experience in construction and real estate development in Canada and the US
- Completed Advanced Management Program, Harvard Business School
- Regent, Gonzaga University

Brian W. L. Tod, B.A. LL.B, Q.C. (Edmonton) B, *Deputy Chairman*

- Senior Partner, national law firm of Miller Thomson
- Corporate, commercial and real estate legal practice
- Served as director of several public and private corporations and charities

Peter F. Adams, Ph.D., P.Eng. (Edmonton) B, C

- President and Managing Director, Canadian Petroleum Institute
- Formerly: Dean of Engineering, University of Alberta; President, Technical University of Nova Scotia; and President, Centre for Frontier Engineering Research

Robert G. Brawn, B.Sc., P.Eng. (Calgary) C

- Chairman, Acclaim Energy Inc.
- Director, Alberta Treasury Branches, Calgary Airport Authority, Parkland Industries Ltd., Forzani Group Ltd. and several private corporations
- Formerly: Chair, Calgary Chamber of Commerce; Co-chair, Calgary Economic Development Authority; and Co-chair, Independent Petroleum Association of Canada

Harry A. King, B.A., C.A. (Vancouver) A

- President and Director, Harking Investments Ltd.
- Director of Cogeco Cable Inc. and several private corporations
- Previous experience with Peat Marwick Mitchell, Arthur Andersen, Revenue Canada and Continental Lime Ltd.

Bud W. Kushnir, B.Sc., P.Eng. (Edmonton) A

- Consultant in marketing, operations and general management
- Director of several private corporations
- Former Senior Vice President, Sherritt Inc.

H.R. (Hank) Reid, MBA, P.Eng. (Edmonton)

- Churchill President and CEO since 1990
- Formerly: President, Western Region and Vice President Corporate Development, George Wimpey Canada; President, Carlson Construction; and Corporate Controller, Bovis Corporation

Winston D. Stothert, M.A.Sc., P. Eng. (Vancouver) A, B

- Founder and Chairman, Stothert Group, an international engineering, design and construction management firm in large chemical, pulp and paper, wood products, power and shipping terminal projects
- Governor, Business Council of British Columbia
- Chairman, Hillsborough Resources Limited
- Director of several private corporations and charities

positioned with relevant experience and extensive service as directors of other public companies

A Member, Audit Committee

B Member, Human Resources and Compensation Committee

C Member, Corporate Governance and Nominating Committee

executive profiles

Churchill has a management team capable of **implementing our growth strategy**. Our management group combines **complementary strengths** in operations, marketing, financial control and acquisitions

2 H.R. (Hank) Reid, MBA, P.Eng.
President and Chief Executive Officer, The Churchill Corporation

- Churchill President and CEO since 1990
- Successfully repositioned Churchill's construction operations, achieving profitability and debt retirement
- Prior management experience as: President, Western Region and Vice President, Corporate Development, George Wimpey Canada; President, Carlson Construction; and Corporate Controller, Bovis Corporation

4 Gary R. Bardell, M.Sc., MBA, P.Eng.
President, Stuart Olson Construction Ltd.

- Joined Stuart Olson in 1979; progressed through positions in operations, business development and general management to become President in 1997
- Volunteer Chairman, Alberta Construction Association; Director, Canadian Construction Association

6 Terrance B. Dunnigan, C.A.
Vice President Finance, The Churchill Corporation

- Promoted to Vice President of Finance in 1994 after joining Churchill as Controller in 1993
- Responsibilities include treasury, risk management and accounting
- Prior accounting and financial management experience as: Controller, Fletcher Construction; Vice President Finance, Carlson Construction; and Corporate Controller, Wardair

3 William R. McKenzie, CMA, MBA, CFA
Vice President Corporate Development and Corporate Secretary, The Churchill Corporation

- Joined Churchill management in 1999 after serving as a Director for eight years
- Responsibilities include mergers and acquisitions, strategic planning, investor relations and corporate secretarial matters
- Sixteen years experience in corporate finance, mergers and acquisitions with Vencap, a leading Canadian merchant bank

1 L. Bruce Rintoul, P.Eng., MBA
Vice President Industrial, The Churchill Corporation

- Joined Churchill in 2000
- Responsible for the growth of Industrial Division through internal initiatives, alliances and acquisitions
- Nineteen years engineering, business development and general management experience in industrial construction and industrial services
- Prior experience running a $450 million industrial services and plant maintenance segment of Phillip Services Corporation

5 James M. Saretsky, B.Comm., MBA, CMA
Vice President and Controller, The Churchill Corporation

- Joined Churchill in 2001
- Responsible for financial accounting, management information systems and risk management
- Prior accounting and financial management experience as: Controller, CAE Aviation Ltd. and Alberta Intermodal Services; Executive Manager and Controller for an electrical and mechanical contractor, a computer software developer and a global positioning systems manufacturer

shareholder information

Annual and Special Meeting

The Annual and Special Meeting of Shareholders will be held at:
2:00 p.m. on Wednesday, May 15, 2002
in the Marlboro Room, Westin Hotel
10135 - 100 Street, Edmonton, Alberta

Registrar and Transfer Agents

Inquiries regarding change of address, registered shareholdings, share transfers, duplicate mailings and lost certificates should be directed to:

CIBC Mellon Trust Company
600 The Dome Tower
333 Seventh Avenue S.W.
Calgary, Alberta T2P 2Z1
Phone (403) 232-2400
Fax (403) 264-2100
Email inquiries@cibcmellon.ca
www.cibcmellon.ca
Answerline 1-800-387-0825

Investor Relations

For copies of annual or interim reports and other investor-related information, or if you have any questions, please contact:

Bill McKenzie
The Churchill Corporation
Phone (780) 454-3667

Exchange Listing

The Toronto Stock Exchange
Trading Symbol: CUQ
CUSIP: 17143D103
Sedar Profile No: 00003704

corporate directory

Executive Offices

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Phone (780) 454-3667
Fax (780) 452-8741
Email inquiries@churchill-cuq.com
www.churchillcorporation.com

Subsidiaries

Stuart Olson Construction Ltd.

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Chartered Accountants

Legal Counsel

Miller Thomson LLP
Armstrong Perkins Hudson LLP
Ogilvie LLP

Principal Bank

The Bank of Nova Scotia

Bonding & Insurance

AXA Pacific Insurance Company
Aon Reed Stenhouse Inc.

Certain statements in this Annual Report may constitute "forward-looking statements". Although management of the Corporation believes that its expectations are based upon reasonable assumptions, it can give no assurance its expectations will be achieved. Such forward-looking statements involve risk, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Credits

- Vision Design Communications Inc. (www.visiondc.com)
- Photography:
  Bluefish Studios
  Bob Matheson
- Printed by Capital Colour Press (1992) Ltd.

industrial construction & maintenance

Triton Projects

heavy-industrial general contracting, fabrication and maintenance

Fuller Austin Insulation & Northern Industrial Insulation

insulation, siding, fireproofing and maintenance

commercial construction

Stuart Olson Construction

design-build, construction management and general contracting

the **Churchill** Corporation

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